

Marathon Resources Limited

Half Year Financial Report

31st December 2005

^{MR}MARATHON

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DIRECTORS' REPORT

The directors present their report on Marathon Resources Ltd for the half year ended 31st December 2005 and the state of the affairs of the Company at that date.

In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

Persons who have been Directors in the Company during or since the end of the half year are:

Peter Williams BEc FCA
Chairman (non-executive)

John Santich
BE MEngSc PhD DipLaw MSocSc
Chief Executive officer

Wieslaw Bogacz Msc Eng PhD Eng
Executive Director

William Latimer LLB
Director (non-executive)

Stuart Appleyard LLB
Director (non-executive)

Review of Operations

During the period exploration advanced on most of the Company's tenements. Emphasis was again on the Paralana Mineral System, while exploration activity over other tenements of the Company's portfolio continued at a lower level.

The highlight of the half year was the commencement of drilling on the Company's most advanced project, the 100% owned uranium rich Paralana Mineral System of EL 3258 (Mt Gee) in the Northern Flinders Ranges of South Australia.

Drilling began at the Hodgkinson deposit, with the first four diamond holes of the current program of drilling completed immediately prior to the Christmas break. Assays were received during December and January and the results have been the subject of a separate release to the ASX on 19th January 2006.

The results confirmed structural controls on the mineralization and the nature of the Hodgkinson deposit as relatively high grade

(12m @ 0.465% including 1m @ 0.97% U₃O₈ DD05MN04; 51m to 63m), in comparison with other known deposits of the Paralana Mineral System. Current drilling also confirms previous explorers' open hole results, which can now be viewed with confidence. Preparation of a model of the deposit, incorporating previous open hole drilling as well as that of Marathon, is in the process.

Since the end of the half year, drilling at Hodgkinson has continued and is now almost completed, with assays pending. The UDR650 crawler mounted drill rig will shortly relocate to the Mt Gee deposit, for which Marathon has reported an Inferred Resource of 57 million tonnes of mineralisation averaging 0.06% U₃O₈, containing some 33,000 tonnes of U₃O₈.

Auditor's independence

The auditors independence declaration is included on page 3 of the half year financial report.

Subsequent events

At 14th March 2006, a stock exchange trading halt was requested pending the proposed placement of ordinary shares raising additional capital of up to \$ 3,630,000.

Proceedings

The Company has not been party to any legal proceedings during the half year. Directors are not aware of any proceeding initiated or contemplated against or on behalf of the Company during the period.

Adoption of International Financial Reporting Standards

The financial statements for the half year recognise the adoption of Australian Equivalents to IFRS as set out in Notes 1 and 17. A reconciliation of differences between previous GAAP and Australian Equivalents to IFRS has been included in note 17 of this report.

Peter Williams
Director

Stuart Appleyard
Director

Dated this 15th day of March 2006

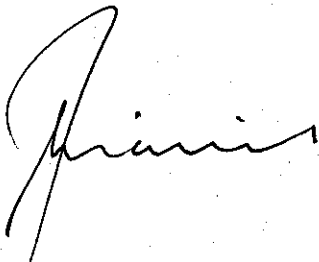
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DIRECTORS' DECLARATION

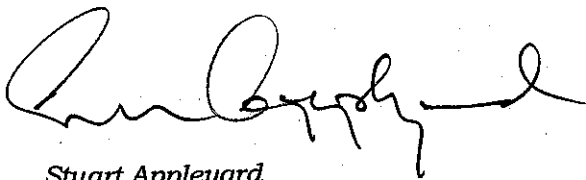
The Directors declare that:

- a) In the director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- b) In the directors opinion, the attached financial statement and notes thereto are in accordance with the Corporations Act 2001, including compliance with the accounting standards and giving a true and fair view of the financial position and performance of the Company and its controlled entities.

This declaration is made in accordance with a resolution of the directors.



Peter Williams
Director



Stuart Appleyard
Director


Dated in Adelaide, South Australia this
15th day of March 2006

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MARATHON RESOURCES LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Marathon Resources Limited for the half-year ended 31 December 2005, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

**GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
CHARTERED ACCOUNTANTS**



P S PATERSON
Partner

Signed at *Wayville* this *16* day of *March* 2006

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**INDEPENDENT AUDIT REPORT
TO MEMBERS OF MARATHON RESOURCES LTD AND CONTROLLED ENTITIES**

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, notes to the financial statements and the directors' declaration of Marathon Resources Ltd and Controlled Entities (the consolidated entity), for the half year ended 31 December 2005. The consolidated entity comprises both the company and the entities it controlled during that half year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Australian Accounting Standard AASB 134 : Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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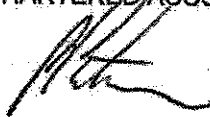
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Audit opinion

In our opinion, the financial report of Marathon Resources Ltd and Controlled Entities is in accordance with:

- (a) the Corporations Act 2001, including:
 - i) giving a true and fair view of Marathon Resources Ltd's and consolidated entity's financial position as at 31 December 2005, and of its performance for the half-year ended on that date; and
 - ii) Australian Accounting Standard AASB 134 : Interim Financial Reporting; and
- (b) other mandatory financial reporting requirements in Australia.

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
CHARTERED ACCOUNTANTS



P S PATERSON
Partner

Signed at *Dayville* this *16* day of *March* 2006

**CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31ST DECEMBER 2005**

	<i>Notes</i>	<i>Consolidated Entity</i>	
		<i>31 December 2005 \$</i>	<i>31 December 2004 \$</i>
Revenue	3	90,712	-
Depreciation		(13,547)	-
Exploration Expenses		(17,383)	-
Employee Expenses		(200,983)	-
Occupancy Expenses		(21,350)	(1,043)
Share based payment expenses		(52,000)	-
Other expenses from ordinary activities		<u>(355,951)</u>	<u>(93,403)</u>
Profit (Loss) from ordinary activities before income tax expense		(570,502)	(94,446)
Income Tax	3a	-	-
Profit (loss) from ordinary activities after income tax expense		<u>(570,502)</u>	<u>(94,446)</u>
Net Profit (Loss) attributable to the members of Marathon Resources Ltd		<u>(570,502)</u>	<u>(94,446)</u>
Earnings per share			
Basic (cents per share)		(0.015)	-
Diluted		(0.015)	-

The accompanying notes form part of these financial statements

**CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2005**

	<i>Notes</i>	<i>Consolidated Entity</i>	
		<i>31 December 2005 \$</i>	<i>30 June 2005 \$</i>
CURRENT ASSETS			
Cash at Bank	13a	2,610,100	3,828,513
Receivables	4	42,470	6,959
Other Financial Assets	5	30,869	-
Total Current Assets		<u>2,683,439</u>	<u>3,835,472</u>
NON-CURRENT ASSETS			
Property, Plant & Equipment	6	133,503	121,543
Exploration & Evaluation costs	7	1,111,776	406,654
Total Non-Current Assets		<u>1,245,279</u>	<u>528,197</u>
TOTAL ASSETS		<u>3,928,718</u>	<u>4,363,669</u>
CURRENT LIABILITIES			
Payables	8	221,816	152,607
Provisions	14	35,293	25,951
Total Current Liabilities		<u>257,109</u>	<u>178,558</u>
NET ASSETS		<u>3,671,609</u>	<u>4,185,111</u>
EQUITY			
Contributed Equity	9	4,849,302	4,844,302
Reserves	9a	52,000	-
Retained Losses	10	(1,229,693)	(659,191)
TOTAL EQUITY		<u>3,671,609</u>	<u>4,185,111</u>

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR 31ST DECEMBER 2005**

	Notes	Share Capital	Retained Earnings	Reserves	Total
Balance 1/07/2004		75,000	(71,672)	-	3,328
Share Issues		4,598,827			4,598,827
Loss attributable to members of parent company		-	(417,044)	-	(417,044)
Balance at 30/06/2005		4,673,827	(488,716)	-	4,185,111
Effect of transition to A-IFRS	17	170,475	(170,475)		-
A-IFRS 30/06/2005		4,844,302	(659,191)		4,185,111
Share Issues		5,000			5,000
Loss attributable to members of parent			(570,502)	52,000	(518,502)
Balance at 31/12/2005		4,849,302	(1,229,693)	52,000	3,671,609

The accompanying notes form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT
AS AT 31ST DECEMBER 2005

	<i>Notes</i>	<i>Consolidated Entity</i>	
		<i>31 December 2005</i>	<i>31 December 2004</i>
Cash flows from operating activities			
Interest Received		90,712	-
Payments to suppliers		(570,423)	(34,016)
Net cash provided by (used in) operating activities	13(b)	<u>(479,711)</u>	<u>(34,016)</u>
Cash flows from investing activities			
Purchase of plant & equipment	6	(25,507)	(7,337)
Payment for exploration activities		(687,325)	(28,200)
Payment for investment option		(30,869)	-
Cash acquired on purchase of subsidiary		-	10,881
Net cash provided by (used in) investing activities		<u>(743,701)</u>	<u>(24,656)</u>
Cash flows from financing activities			
Proceeds from issue of shares	9	5,000	275,000
Payment of expenses of the issue of prospectus		-	(257,366)
Net cash provided by (used in) financing activities		<u>5,000</u>	<u>17,634</u>
Net (decrease) / increase in cash held		(1,218,412)	41,038
Cash at the beginning of the half year		<u>3,828,512</u>	<u>18,797</u>
Cash at the end of the half year	13(a)	<u>2,610,100</u>	<u>59,835</u>

The accompanying notes form part of these financial statements

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Financial Reporting Framework

The financial statements are a general purpose financial report which has been prepared in accordance with applicable Accounting Standards, UIG Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements have also been prepared on an accrual basis and are except where indicated, based on historical costs and do not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Conversion to A-IFRS

The consolidated entity changed its accounting policies on 1st July 2005 to comply with A-IFRS. The transition to A-IFRS is effective this date (refer Note 2). An explanation of how the transition from superseded policies to A-IFRS has effected consolidated income statement balance sheet and cash flow statements is discussed in note 17.

Significant Accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation of the financial report.

a) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of Marathon Resources Limited and its controlled entity referred in the financial report. Consistent accounting principles are employed in the preparation and presentation of the consolidated financial statements.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealized profits arising within the consolidated entity are eliminated in full.

b) Accounts payable

Trade payables and other accounts payable are recognized when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

c) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

d) Exploration, evaluation and development expenditure.

Exploration, evaluation and development expenditures in relation to separate areas of interest are brought to account in the period in which they are incurred and are carried at cost.

The cost of acquisition of an area of interest and exploration expenditure relating to that area of interest is carried forward as an asset in the balance sheet where:

it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest or by its sale; or

exploration activities are continuing in an area of interest and activities have not yet reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves.

Where a decision is made to proceed with development, accumulated expenditure will be amortised over the life of the reserves associated with the area of interest.

NOTES TO THE FINANCIAL STATEMENTS

Significant Accounting policies (con't)

e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

for receivable and payables which are recognized inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

f) Income Tax

Tax effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting results after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in period different to that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities, as applicable. Deferred tax assets are only brought to account when it is probable that they will be sufficient taxable profits against which to utilize the tax benefits. The consolidated entity is able to consolidate and be treated as a single entity for income tax purposes. The implementation of the tax consolidation system has not yet been formally notified to the Australian Taxation Office. The head entity is Marathon Resources Limited and each entity in the group has agreed to pay a tax equivalent payment to or from the head entity based on the net accounting profit or loss of the entity and the current tax rate.

g) Joint ventures

Interests in joint venture operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to joint

ventures and the share of any expenses incurred in relation to joint ventures in their respective classification categories.

h) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

i) Recoverable amount of non-current assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have been discounted to their present values.

j) Revenue Recognition

Disposal of Assets

Revenue from the disposal of assets is recognised when the Company has passed control of the assets to the buyer.

Interest

Interest revenue is recognized on an accrual basis.

k) Depreciation

Depreciation is provided on property, plant and equipment, commencing from the time the asset is held ready for use. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. An estimated useful life of 5 – 15 years is used in the calculation of depreciation on plant and equipment.

l) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

m) Cash

For the purposes of the statement of cash flows, cash includes on hand and in banks and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – COMPARATIVES AND NOTES

The half year financial report does not include all notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

NOTE 3 – REVENUE AND EXPENSE FROM OPERATIONS AND OPERATING ACTIVITIES

	<i>Consolidated Entity</i>	
	<i>31 December 2005</i>	<i>31 December 2004</i>
	\$	\$
Revenue from ordinary activities	-	-
Interest	90,712	-
Other expenses include:		
Accounting and Auditing	18,881	787
ASX and Registry	34,558	-
Computer costs	33,055	160
Consulting	46,877	11,993
Insurance	16,689	5,938
Travel	73,439	-

NOTE 3a – INCOME TAX EXPENSE

	<i>Consolidated Entity</i>	
	<i>31 December 2005</i>	<i>30 June 2005</i>
	\$	\$
I. Prima Facie income tax expense on pre-tax Accounting loss reconciles to income tax expense in the Income Statement as follows:		
Income tax benefit calculated at 30%	171,151	125,113
Tax effect of permanent difference – expenses paid – not allowable – via share issue	(16,263)	(445)
	-	34,095
Timing differences and tax losses not brought to account as future income tax benefits	(154,888)	(158,763)
Income tax expense relating to ordinary activities	-	-

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3a – INCOME TAX EXPENSE (con't)

II. Net future income tax benefits (FITB)
not brought to account as assets

Tax losses – capital	131,634	131,634
Tax losses – revenue	426,231	242,917
Timing differences	121,204	149,630
Total FITB not brought to account	679,069	524,181

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- a) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- b) conditions for deductibility imposed by the law are complied with; and
- c) no changes to tax legislation adversely affect the realisation of the benefit from the deductions.

NOTE 4 – RECEIVABLES

	<i>Consolidated Entity</i>	
	<i>31 December</i>	<i>30 June</i>
	<i>2005</i>	<i>2005</i>
	\$	\$
Other debtors	42,470	6,959
	<u>42,470</u>	<u>6,959</u>

NOTE 5 – OTHER FINANCIAL ASSET

	<i>Consolidated Entity</i>	
	<i>31 December</i>	<i>30 June</i>
	<i>2005</i>	<i>2005</i>
	\$	\$
Share purchase option and due diligence costs	30,869	-

The Company has acquired an option to purchase the whole of the issued capital of a company holding a 100% interest in a potential molybdenum, tungsten, copper tenement in Europe. The option was acquired for \$ 21,000 and due diligence expenditure on establishing the existence of inferred resources of \$ 9,869 has been spent to the date of this report.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

	<i>Consolidated Entity</i>	
	<i>31 December</i>	<i>30 June</i>
	<i>2005</i>	<i>2005</i>
	<i>\$</i>	<i>\$</i>
Plant and equipment, office equipment and vehicles	151,712	126,205
Less Accumulated Depreciation	18,209	4,662
Total Plant and Equipment	133,503	121,543
Movement		
Balance at 1 July 2005	121,543	2,736
Additions	25,507	123,469
Disposals	-	-
Depreciation	(13,547)	(4,662)
Carrying amount at 31 st December 2005	133,503	121,543

NOTE 7- EXPLORATION AND EVALUATION COSTS

	<i>Consolidated Entity</i>	
	<i>31 December</i>	<i>30 June</i>
	<i>2005</i>	<i>2005</i>
	<i>\$</i>	<i>\$</i>
Exploration and Evaluation Costs	1,111,776	406,654
Less Accumulated Amortisation	-	-
Total Exploration and evaluation Costs	1,111,776	406,654
Movement		
Balance at 1 July 2005	406,654	23,650
Exploration and evaluation Additions	705,122	172,496
Exploration and evaluation costs recognized on acquisition of subsidiary	-	210,508
Closing balance	1,111,776	406,654

The ultimate recoupment of costs carried forward is dependant upon the successful development and/or commercial exploitation or alternatively, sale of respective area of interest. For details of the Company's interests in Joint Ventures, refer to Note 11.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – PAYABLES

	<i>Consolidated Entity</i>	
	<i>31 December 2005</i>	<i>30 June 2005</i>
	<i>\$</i>	<i>\$</i>
Suppliers	165,316	115,804
Other creditors	38,703	36,803
Accrued commitments	17,797	-
	<u>221,816</u>	<u>152,607</u>

NOTE 9 CONTRIBUTED EQUITY

	<i>Consolidated Entity</i>	
	<i>31 December 2005</i>	<i>30 June 2005</i>
	<i>\$</i>	<i>\$</i>
Fully paid ordinary shares	4,849,302	4,844,302

Fully paid ordinary shares entitle the holders to participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. On a show of hands every holder of fully paid ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

Movements in ordinary share capital

	<i>Number</i>	<i>\$</i>
1 July 2005	37,810,295	4,844,302
Issued at 20 cents (22/12/05)	25,000	5,000
Balance at 31 st December 2005	37,835,295	4,849,302

Options granted prior to 31st December 2005 and unexercised total 5,735,000 as follows:

- 5,475,000 Having an exercise price of 20 cents and exercisable at anytime from grant date to expiry date of 30th June 2009
- 100,000 Granted on 1st July 2005 and having an exercise price of 20 cents. Exercisable at any time from grant date to expiry date of 30th June 2010.
- 160,000 Granted on 31st August 2005 and having an exercise price of 45 cents, exercisable at any time from grant date to expiry date of 30th June 2010

25,000 options were exercised on 22nd December 2005

NOTE 9a – RESERVES

	<i>Consolidated Entity</i>	
	<i>31 December 2005</i>	<i>30 June 2005</i>
	<i>\$</i>	<i>\$</i>
Share option reserve	52,000	-

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – ACCUMULATED LOSSES

	Consolidated Entity	
	31 December 2005 \$	30 June 2005 \$
Opening balance	(659,191)	(71,672)
Net loss	(570,502)	(587,519)
Accumulated losses at 31 st December 2005	(1,229,693)	(659,191)

NOTE 11 – TENEMENTS

Project	Tenement	Commodity	Consolidated Entity	
			31 Dec 2005 \$	30 June 2005 \$
100% Interest				
South Australia				
Mulga Well	EL 3211	IOCG, Copper, Gold, Uranium	59,481	7,513
Pinda Springs	EL 3159	Base metals, Copper, Gold	16,060	12,406
Mongalata	EL 3164	Gold, Copper	15,934	4,555
Mt Gee	EL 3258	Uranium, Rare earths	808,066	285,700
MacDowell Hill	EL 3474	Uranium, Copper, Gold	3,016	-
Joint Ventures				
South Australia				
Coondambo	EL 2819	IOCG, Copper, Gold, Uranium	52,782	42,921
Mabel Creek	EL 3324	IOCG, Copper, Gold, Uranium	27,386	3,006
Woorong Creek	EL 2730	IOCG, Copper, Gold, Uranium	53,599	3,893
Victoria				
Kalymna	EL 4526	Gold	34,083	31,169
Glenlyle	EL 4621	Gold, Copper	21,289	15,176
			1,091,696	406,339
Application Monies for Grants of New Tenements			2,283	315
Accrued commitments			17,797	-
Carrying value of exploration costs	Per Note 7		<u>1,111,776</u>	<u>406,654</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – TENEMENTS (con't)

The Company's interests in unincorporated joint venture operations at the date of this report were as follows:

<i>Name of entity</i>	<i>Principal activity</i>	<i>Joint venture Partner</i>	<i>31 Dec 2005</i>	<i>30 June 2005</i>
Coondambo	Mineral exploration	Platsearch NL	50%	50%
Mabel Creek*	Mineral exploration	Minotaur Exploration Ltd	51%	51%
Woorong Creek*	Mineral exploration	Minotaur Exploration Ltd	51%	51%
Kalymna	Mineral exploration	PS & GF Forwood	90%	90%
Glenlyle	Mineral exploration	PS & JA Forwood	90%	90%

* *The interests in the unincorporated joint venture operations with Woorong Creek and Mabel Creek are subject to the Company spending a total of \$ 1 million on exploration of the tenements.*

The Company's interest in the unincorporated joint ventures are earned pursuant to agreements providing for minimum exploration expenditures all of which are to be met by the Company over defined time lines.

NOTE 12 – COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

Exploration Expenditure Commitments

The Company has certain statutory obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

The terms of the current and future joint ventures, grant of new licences and changes to existing licences will impact on the Company's expenditure commitments.

Total annual expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	<i>At 31 December 2005 \$</i>	<i>At 30 June 2005 \$</i>
Not longer than 1 year	486,000	828,000
Longer than 1 year and not longer than 5 years	150,000	81,000
Longer than 5 years	-	-

These are maximum commitments that will vary depending on future decisions on tenement management.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated 31 December 2005 \$	Consolidated 31 December 2004 \$
Cash at bank	2,610,100	48,562
Cash in trust account	-	11,273
	<u>2,610,100</u>	<u>59,835</u>

b) Reconciliation of loss from operating activities after related income tax to net cash flows from operating activities.

	<i>Consolidated</i> 31 December 2005 \$	<i>Consolidated</i> 31 December 2004 \$
Loss from ordinary activities after income tax	518,502	94,446
Non-cash operating expenses		
Depreciation	(13,547)	-
Leave provision	(9,342)	-
	<u>495,613</u>	<u>94,446</u>
Increase / (Decrease) in receivables	35,511	-
(Increase) / Decrease in suppliers and other creditors	(51,413)	(128,462)
Net Cash provided by (used in) operating activities	<u>(479,711)</u>	<u>(34,016)</u>

NOTE – 14 – CURRENT PROVISIONS

	<i>Consolidated</i> 31 December 2005 \$	<i>Consolidated</i> 30 June 2005 \$
Employee Entitlements	35,293	25,951
Number of Employees	6	6

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 – SEGMENT INFORMATION

The consolidated entity operates in the mining and exploration industry in Australia.

NOTE 16 – MATTERS SUBSEQUENT TO END OF THE HALF YEAR

The Company has announced on the 14th March 2006 a proposed placement of ordinary shares to raise additional capital of up to \$ 3,630,000.

There has not been any other matter or circumstance unless referred to in the financial statements or notes thereto, that has arisen since the end of the half year that had significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in the remainder of, and future financial year(s).

NOTE 17 – IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

The adoption of AIFRS is reflected in the consolidated financial statements for the half year ending 31st December 2005. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 have been restated.

Directors are of the opinion that there are no material differences in the consolidated entity's accounting policies on conversion to AIFRS.

Set out below are the matters considered in determining if any restatement of balances at 30th June 2005 was required on adoption of AIFRS.

Exploration and Evaluation

The board had elected to keep strictly in line with AASB6, in the 2005 Financial Year, the consolidated entity has completed Impairment Testing on all of its Exploration and Evaluation Expenditure capitalised which has not resulted in any write-down.

Recoverable Amount of non-current Assets

The consolidated entity's approach to impairment is consistent with the requirements of AASB 136. As a result the introduction of this standard has had no impact on the consolidated entity's financial statements.

Income Tax

AASB 112 requires the recognition of temporary differences associated with revenues and expenses taken directly to equity. The consolidated entity has previously recognised transaction costs associated with capital raising directly in equity. The effect of the recognition is to increase share capital by \$ 170,475 and increase accumulated losses by \$ 170,475. The adjustment to accumulated losses reflects the directors view that the criteria for recognition of deferred tax assets has not been met.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17 (con't) – IMPACTS OF THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS.

On the Income Statement for the financial year ended 30th June 2005

	<i>Financial Year ended AT 30TH JUNE 2005</i>		
	Previous Australian GAAP	Effect of Transition to A-IFRS	A-IFRS
Revenue	84,818		84,818
Depreciation	(4,662)		(4,662)
Exploration	(60,916)		(60,916)
Employee expenses	(298,923)		(298,923)
Occupancy expenses	(27,944)		(27,944)
Other expenses from ordinary activities	(111,432)		(111,432)
Profit (loss) from ordinary activities Before income tax	(417,044)		(417,044)
Income Tax Expense		(170,475)	(170,475)
Profit (loss) from ordinary activities after income tax	(417,044)		(587,519)

There was no A-IFRS adjustment required on the income statement for the half year ended 31st December 2004 consequently no reconciliation of profit and loss has been prepared.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17 (con't) – IMPACTS OF THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS.

On the Balance Sheet as at 30th June 2005

	AT 30 TH JUNE 2005		
	Previous Australian GAAP	Effect of Transition to A-IFRS	A-IFRS
Cash at Bank	3,828,513		3,828,513
Receivables	6,959		6,959
Other financial assets			
Total Current Assets	3,835,472		3,835,472
Property, Plant & Equipment	121,543		121,543
Exploration & evaluation costs	406,654		406,654
Total Non-current Assets	528,197		528,197
Total Assets	4,363,669		
Payables	152,607		152,607
Provisions	25,951		25,951
Total Current Liabilities	178,558		178,558
Net Assets	4,185,111		4,185,111
Equity			
Contributed	4,673,827	170,475	4,844,302
Retained losses	(488,716)	(170,475)	(659,191)
Net Equity	4,185,111		4,185,111

There were no A-IFRS adjustments to equity as at 1st July 2004 and 31st December 2004 and therefore no reconciliation of equity as at those dates has been prepared.

EFFECTS OF A-IFRS ON THE CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2005

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under Australian GAAP superseded policies.